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C O N F I D E N T I A L SECTION 01 OF 05 BAKU 001365

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SUBJECT: AZERBAIJAN PRESIDENT DISCUSSES N-K, DEMOCRACY WITH
A/S FRIED

Classified By: Ambassador Anne E. Derse, Reasons 1.4 (b, d)

11. (C) SUMMARY: President Aliyev told A/S Fried and the Ambassador on November 3 that "there was a consensus" on the essential N-K issues, with the only remaining barriers being "phraseology" and the Lachin Corridor. Time was on Azerbaijan's side in the N-K dispute, as every year Azerbaijan grows stronger and Armenia weaker. A/S Fried said resolving N-K would be a "strategic breakthrough" for Azerbaijan. On the upcoming 2008 Presidential elections A/S Fried said that a free and fair election would make Azerbaijan stronger and Aliyev stronger as well, if he won under free and fair conditions. Aliyev said that despite the reality, the international community, to include the international press and the OSCE election monitors, would brand the election unfair in order to perpetuate the unfair stereotype of him as a "dictator." He asked A/S Fried why countries like Ukraine and Georgia, neither more democratic, in reality, than Azerbaijan, were lauded as models of democracy while Azerbaijan was publicly pilloried. Fried said the USG would be fair in its statements after the next election, and that he would work with the OSCE to ensure that it too judged the elections fairly. Comment: While Aliyev continues to affirm his commitment to democratic principles, his comments on the media and his conviction that Azerbaijan, no matter what it does, will never get a fair evaluation of its democratic record, complicate our efforts to convince Aliyev that democratic change is in his best interest. Aliyev's willingness to engage with A/S Fried and to hear USG views on the steps needed to create a climate for free and fair elections is, however, an important step. END SUMMARY AND COMMENT.

12. (C) After a two-hour meeting at the Presidential Apparatus (septel) on November 3, President Aliyev, A/S Fried, Ambassador Derse and FM Mammadyarov continued their discussion during a three-hour dinner at the Baku Yacht Club.

N-K

13. (C) Aliyev told A/S Fried that Armenian PM Serge Sarkisian was "more provincial" than President Richard Kocharian. He said it was too late for Armenia to "get out of its shell," as the country is 100 percent dependent on Russia -- for gas, infrastructure, energy strategy, and policy. Russian troops guard Armenia's borders. Aliyev recounted that OSCE representative Andrej Kasprzyk had told him Russian soldiers detained him for two hours at Yerevan's airport when he arrived with an expired passport, asking whether a country which has another guard its borders can be independent. Aliyev said that even if N-K is resolved, Turkey will not

open its arms and embrace Armenia. He recalled that he had worked hard in Erdogan's early days in office to convince him not to open the border with Armenia. A/S Fried urged Aliyev to view a resolution of NK as a potential strategic breakthrough. If Armenia is opened to the world, the siege mentality and Russian influence there would decline. Aliyev noted that Azerbaijan could be very helpful to Armenia, and Armenia could "benefit a lot," in terms of gas resources and financial assistance, if there were a resolution. Armenia gains nothing from its current policy; "Russia is not giving charity." The more time passes the more locked in Armenia becomes.

¶4. (C) Aliyev said that "we have a basic understanding" about the Minsk group co-chairs' proposed principles. However, Azerbaijan needs phraseology on its side, because NK is Azerbaijan's territory and the principles address the internationally recognized status of N-K within the framework of Azerbaijan's territorial integrity. It is also clear, he said "that we have consensus on the essence of the issues, and Lachin is now the last stumbling block." He emphasized that whether a population vote or referendum is specified in the text, the issue was "all about phraseology with respect to something that will never happen." In five to ten years, the gap between Azerbaijan and Armenia will be "enormous"; Azerbaijan will be "among the developed countries of the world" and "would Azerbaijan want back poor N-K then?"

¶5. (C) Aliyev asserted to Fried that Azerbaijan would use its oil revenues wisely, transparently and accountably. Oil revenues are distributed only through the parliament (in the budget process), and "people feel confident" about their use. Fried stressed the importance of a strong financial sector and banking system to effective use of Azerbaijan's oil

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wealth. Aliyev said he had changed the approach to Azerbaijan's internally displaced people from the N-K conflict, spending half a billion dollars to move IDPs out of tent camps into more permanent settlements, equipped with water, gas, schools and hospitals -- 70,000 had been resettled in the past three years and 70-80,000 more will be resettled in coming years. This "gives me more political space," he noted, saying the IDPs social and political situation was "terrible when I came to power -- I cannot tolerate that people live in tent camps in Azerbaijan, now that we have money." Moreover, the camps were fertile recruiting grounds for Iran, he noted. A new presidential decree will soon allocate an additional five hundred million dollars to resettle IDPs.

2008 Elections

¶6. (C) A/S Fried told Aliyev that the 2008 Presidential elections were an opportunity for Azerbaijan. All polling indicates that Aliyev would win, and if the OSCE says the election were free and fair, a reelected Aliyev and Azerbaijan would emerge stronger, domestically and internationally. The U.S. wants to see a strong Azerbaijan. It is in U.S. interests to see the President of Azerbaijan with the strongest democratic mandate possible. An internationally blessed election would move Azerbaijan to the next level.

¶7. (C) Aliyev replied that "I know the situation in the country; for the country we need a change in opposition, although it could perhaps mean problems for me." The current opposition, however, will not give young people the chance to compete -- "let young people with normal ideas, who are clean, come," he said. The political room for the pro-Western opposition is limited, he noted, "because I am pro-West." Facing only the traditional rivals in October, the outcome will be obvious, Aliyev said. The opposition will get barely 5 percent; and "our calculations show that 10-12 percent of the existing electorate don't like me and

won't vote for me under any circumstances."

¶18. (C) A/S Fried encouraged Aliyev to create the conditions for a healthy opposition to emerge, including enlisting local governments in supporting free and fair conduct of the elections. Aliyev responded that the opposition needs ideas about what should be done in the country. In 2003 and 2005 no new ideas came from the opposition, only criticism of what Aliyev had done wrong. "If some normal opposition emerges, not a radical aggressive opposition, I will support it," Aliyev said. But today, he added, any emerging opposition which talks to the government is immediately branded a traitor by the old line opposition.

¶19. (C) Fried told Aliyev that depending on their conduct, the elections could result in international press stories about "Aliyev the authoritarian ruler," or "Aliyev the reformer, now securing Azerbaijan's oil wealth for his nation's benefit." Aliyev demurred, recalling with some bitterness that "his gift" from the international and U.S. press upon assuming office as a new President in 2003 was stories about his being "a corrupt oil rich dictator," which in fact helped create that perception. Since Reporters without Borders has already listed him on its "Ten Worst Press Predators" list, he said, "it could not be worse."

¶10. (C) Echoing a theme he has voiced increasingly, and increasingly openly, to many international interlocutors, Aliyev heatedly protested that Saakashvili in Georgia, Yushchenko in the Ukraine and Kocharian in Armenia had broken laws, violated constitutions, beaten and arrested members of Parliament and the opposition, conducted political assassinations and closed media outlets, "with no reaction or criticism" from the West. "Saakashvili arrested 15,000 people -- he told me himself...Yushchenko violated the constitution 50 times...If we, as they, are partners, we should not be publicly criticized -- the situation in Azerbaijan is not worse than in Armenia or Georgia -- we built Azerbaijan with our own hands, a country we are proud of and with a bright future, while at war and with Russia and Iran as neighbors -- we are the only independent country in the CIS. There is no need to make any correction. Kyrgyzstan is a criminal, corrupt, pro-Russian regime, a Russian satellite, they do what Russia says, but President Bush called them a democracy at the UN. They are not your friend, they wanted your base out -- we are your closest ally

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in the CIS and the Muslim world."

¶11. (C) Aliyev argued bitterly that how the 2008 elections are assessed will depend not on what happens on the ground, but rather "will depend on what instructions the OSCE observers get." He said that in 2005, OSCE observers had told him that "they were told to say there were violations" in the conduct of the elections "when there were not -- no matter what we do we will be judged by others critically," he maintained. Pointing out that he had won by only 76 percent, he asked A/S Fried if it was really possible that Saakashvili had won by 96 percent, "which is not even statistically possible unless you are Kim Jong Il." The GOAJ knows from Azerbaijanis living in Georgia that Georgia is not more democratic than Azerbaijan. "Why are we always subject to criticism? The U.S., the COE, the OSCE? I released 700 people (prisoners) and I am called a predator and a dictator. I have no incentive to change. I will just do what is needed to develop the country. I feel support; Azerbaijanis will elect me, not Reporters Without Borders."

¶12. (C) Aliyev concluded that "I have no reason to do anything in these elections that will damage Azerbaijan -- why?" Noting that democracy is not common in the Muslim world, and that the Caucasus countries all suffer from a "Muslim tradition" of political upheaval, Aliyev said that Azerbaijan -- "a country with a stable political system, high support for the government, oil wealth and a population that

is becoming more and more satisfied, and surrounded by a totalitarian, almost communist Russia, a flawed democracy with weak institutions in Georgia, a criminal military regime and a mullahcracy," -- is "choosing the Western model."

¶13. (C) A/S Fried told Aliyev that the deck is not stacked. The U.S. objective is a strong Azerbaijan, with a strong leader, internationally accepted, and although Aliyev may have heard reports the U.S. wants otherwise, they were wrong or maliciously intended. The U.S. is Azerbaijan's friend, and will be fair in its evaluation of the 2008 elections. He undertook to talk to the head of OSCE/ODHIR and urge that OSCE observers also be fair. Russia may want Azerbaijan to be weak and dependent, but it is in U.S. interests for Azerbaijan to be strong and independent, with a strong leader and strong democratic institutions. Fried told Aliyev that the U.S. would help Azerbaijan be independent. The faster Aliyev builds institutions of modern liberal democracy, the stronger Azerbaijan will be, and the better partner for the U.S. Azerbaijan will be. He encouraged Aliyev not to be fatalistic about the Western media or to make assumptions about "favored" U.S. friends, but to take the strategic step of ensuring a free and fair election, and to ensure real evolution through gradual reform. He offered to provide Aliyev, on a private basis, ideas on ensuring a free and fair election. Aliyev agreed.

Press

¶14. (C) A/S Fried noted the eight and a half year prison sentence for journalist Eynulla Fatulleyev and said this case, and pressure on media more generally, hurts Azerbaijan's reputation and undermines its standing (and Aliyev's own). Somewhat defensively, Aliyev responded, "We are not perfect, I prefer not to have these events in Azerbaijan, but it happens sometimes." The situation with the media is normal in Azerbaijan, with hundreds of papers publishing. The issue of journalists' arrests is "a bit exaggerated." The Iranian secret services were connected to the publication of an anti-Islam article (for which two journalists are imprisoned), Aliyev asserted.

¶15. (C) Aliyev said that he understood the situation with respect to Fatulleyev is "unusual," and constitutes a "very serious approach." But, "it is in the general context of what is happening here," and aimed to "protect ourselves from subversive pressures." The GOAJ knows everything about foreign countries' influence in Azerbaijan, Aliyev stated. Fatulleyev is connected to Russian military intelligence and "promoted Karabakhi separatists." He interviewed (NK leader) Gukasian, and wrote that Azerbaijanis had killed Azerbaijanis during the conflict. Fatulleyev's sentence is "punishment for the damage he did to Azerbaijan -- it may be too much, but that is why." Fried urged that Aliyev look hard at what might be done in this case, and that of other imprisoned journalists. Aliyev asserted that "they are not journalists." Moreover, they were all arrested within the

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law on "drugs, bribery, articles inciting terrorism. Fatulleyev, he repeated, wanted to damage the country, and his was the punishment for "traitors, those who cooperate with the Armenian secret services. They occupy our lands. Those who cooperate with enemies are traitors -- Fatulleyev was an enemy of the state -- he aimed to destroy the state."

¶16. (C) Aliyev pointed to Israel as a country that puts its security first -- sometimes not democratically, but to protect its nation and its sovereignty. Azerbaijan will never have a European level of democracy, because of "who will take advantage -- we cannot be like a European country because of our neighbors -- Russia, Iran, Armenia. Even Turkey is a problem, Aliyev said: "we don't want that model -- we have to fight religious influences from Turkey, Wahhabi influences from Daghestan. We have a 1000 kilometer long

border with Iran -- we have to protect ourselves every day, we cannot afford a gap in security control."

¶17. (C) Fried underscored that even the appearance that independent journalism is under pressure puts a cloud on Azerbaijan's, and Aliyev's, reputation. While Russia wants to crush Azerbaijan and turn it back into a satellite, the West understands and appreciates that Aliyev stands for an independent, sovereign Azerbaijan. The freer the press, the stronger the institutions, the stronger Azerbaijan will be over the long term.

Russia/CIS

¶18. (C) Aliyev noted that Azerbaijan makes the effort to keep "distant, more or less normal" relations with Russia, firmly defending its independence, but without insulting Russia or making strong statements. He said Putin had asked him to help various large telecom companies enter Azerbaijan's market, but "we do not allow Russian oligarchs here." He said he had counseled Saakashvili many times not to make insulting public statements. Nazarbeyov and Kerimov "hate each other." CIS Summits are "the worst experience of my life, a more hypocritical event does not exist."

Iran

¶19. (C) Aliyev said Iran is in bad shape as a country. Recent gas shortages and rationing are the "first sign of economic collapse" in Iran's "subsidy, non-market economy." Iran produces four million barrels per day of oil products and imports half a million every year from Azerbaijan. Iran would have "big problems if we stop," and in fact had asked Azerbaijan to sell them more. People are unhappy with the regime, and visitors "receive a very negative impression." The majority of the people are simple, uneducated "peasants" who "look like they came from caves." There are "very silly people, not intelligent at all," in high places. Tehran's infrastructure is poor, and the city looks like one of Azerbaijan's provincial cities. The people are "dull and gray, their dress and their eyes, and there is a pessimistic atmosphere." Aliyev said that ethnic Azeris in Azerbaijan showed him respect and sought him out when he was in Tabriz and Tehran. "Tens of thousands" of Iranian families come to Azerbaijan on vacation, drop their head scarves, and drink in restaurants.

COMMENT

¶20. (C) Aliyev has privately voiced his conviction that the U.S. and the West unfairly assess the degree of democratic progress in Azerbaijan with respect to the other former Soviet republics, unfairly assess his leadership compared to that of his NIS colleagues, and will not give Azerbaijan a fair judgment on the conduct of the 2008 elections no matter what the reality on the ground, to many U.S. and international visitors. This false perception makes it difficult to convince Aliyev to take politically difficult steps on reform. A/S Fried's open engagement with Aliyev on this issue and on the sensitive issue of alleged U.S. meddling in the 2005 election was helpful, and Aliyev's agreement to A/S Fried's suggestion that he look at U.S. ideas for ensuring free and fair conduct of the 2008 presidential election a positive and important development. We need to follow up and provide those ideas as soon as possible; and, in the run up to the 2008 poll, illustrate concretely to Aliyev the value of his taking difficult steps

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on electoral and broader political reform.

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